GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2384
ANSWERED ON:18.03.2005
CONVERTIBILTY OF RUPEE
Kalmadi Shri Suresh

Will the Minister of FINANCE be pleased to state:

(a) Whether the limited convertibility of rupee on capital and current account introduced since 1992 has achieved the desired result; and

(b) If so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): The current account of India`s balance of payments became fully convertible in August 1994. The progress towards convertibility in the capital account, however, has been much more gradual. The major reforms carried out in the capital account include significant liberalization of policies and procedures relating foreign direct investment (FDI) and foreign institutional investment (FII). Indian companies have also been permitted to raise resources from overseas markets through issue of global depository receipts and foreign currency convertible bonds (FCCBs). Moreover, policies relating to non-resident Indian deposits, and external commercial borrowings, have also been liberalized.

(b): The various reforms undertaken in India`s current and capital account transactions have considerably strengthened India`s balance of payments. India`s foreign exchange reserves have risen from only US$ 5.8 billion in 1990-91, to more than US$ 137 billion on March 4, 2005. Heavy capital inflows resulted in a capital account surplus of more than US$ 20 billion in 2003-04. The current account also, has been in surplus during the period 2001-02 to 2003-04, reflecting progressive strengthening of India`s external sector.